

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE BETHLEHEM AUTHORITY

May 9, 2013

The regular meeting of the Board of Directors of the Bethlehem Authority (Authority) was held on May 9, 2013 in Room B-504, City Administration Building, 10 E. Church Street, Bethlehem, PA and called to order at 3:33 PM by Chairman Vaughn Gower. The following were also in attendance:

- Mr. John Tallarico, Vice Chairman
- Mr. Mark Jobes, Treasurer
- Ms. Wendy Nicolosi, Esq., from the Authority's Solicitor's Office
- Mr. Stephen Repasch, Executive Director
- Ms. Sandra Reppert, Administrative Assistant
- Mr. Daniel Meixell, Special Police Officer

APPROVAL OF MINUTES OF APRIL 11, 2013

V. Gower presented the minutes of the regular meeting held April 11, 2013 and J. Tallarico moved for their approval. M. Jobes seconded. Motion passed unanimously.

RECOGNITION OF VISITORS/COURTESY OF THE FLOOR

V. Gower recognized and welcomed the following visitors:

- Mr. Dave Brong, City of Bethlehem Director of Water and Sewer Resources
- Mr. Neal Kern, Authority Consulting Engineer from Barry Isett & Associates
- Mr. Michael Recchiuti, City of Bethlehem Councilman
- Mr. Dave DiGiacinto, City of Bethlehem Councilman
- Mr. Nate Jastremski, Bethlehem Press

(It is noted that Mr. Richard Master entered the meeting at 3:35 PM.)

CHAIRMAN

Operating Authority. V. Gower reported the Board held another workshop today with the ARCADIS consultant and the Authority's Financial Advisor, PRAG. The work on the evaluation continues.

Also, there was another proposal from ARCADIS to perform additional tasks at a cost not to exceed \$22,000. It was approved by the Board via email and needs ratification.

R. Master moved and M. Jobes seconded to ratify the proposal from ARCADIS to perform additional tasks at a cost not to exceed \$22,000. Motion passed unanimously.

EXECUTIVE DIRECTOR

Wind Energy Project. S. Repasch reported Atlantic Wind has applied for a zoning decision to install the met towers for wind measurement. There will be a meeting on May 23 with the township's planning commission and June 3 with the supervisors for their determinations. He will attend both meetings. Also, the Authority will receive its first \$10,000 license payment soon and have the ability to bill Atlantic Wind for legal fees and other costs as outlined in the agreement.

Carbon Registration. S. Repasch reported the Authority received a letter from the Rainforest Alliance which indicated all their work is complete and that our project is in full compliance with the Verified Carbon Standard (VCS). VCS is reviewing the documents, and ultimately the carbon will be released for purchase by Chevrolet. The Authority can expect ~\$65,000 by the middle to end of May for the six-month cycle of carbon from 2012.

Forest Management Activity. S. Repasch reported three (3) forest stands timbered over the last several years are in the process of being retired. Hypsie Gap and Stand 53 are almost complete, but Stand 50 has issues. The contract for Stand 50 was awarded in 2010, the Board awarded three (3) extensions, and the restoration work to the fields is still not complete. The contractor, Keith Walter and Sons Logging, is a small family-run business and may have taken on more than they can handle. He has considered withholding the \$3,000 performance bond and is waiting for the Authority Forester's report on this matter.

J. Tallarico moved and R. Master seconded to authorize the Executive Director to take the necessary action to make Keith Walter and Sons Logging complete their required work or terminate the agreement for Stand 50, conditioned upon the Authority Forester's report, Solicitor's review and notification to the bonding company if required. Motion passed unanimously.

Wild Creek Property. S. Repasch reported on the HVAC contract awarded last month to All Weather Heating & Air Conditioning for \$13,867. Their terms required a total down payment of 60% before doing any work, which is in excess of what he and J. Tallarico felt was reasonable. Proposals were sought from two additional companies to look at the property. Tru- Comfort did not submit a bid, and Hannabery HVAC submitted a bid totaling \$14,850, which is ~\$1,000 higher than All Weather and ~\$2,000 lower than the highest bid originally received from ASI Mechanical. They believe Hannabery HVAC is a

more reputable firm to do the project and they are not requiring the same amount of down payment as All Weather. He recommended rescinding the All Weather contract and awarding the new contract to Hannabery HVAC.

J. Tallarico moved and M. Jobes seconded to rescind the contract awarded last month to All Weather Heating and Air Conditioning. Motion passed unanimously.

J. Tallarico moved and M. Jobes seconded to award the contract for the installation of an HVAC system at the Wild Creek property to Hannabery HVAC in the amount of \$14,850. Motion passed unanimously.

East Allen Township. S. Repasch reported the City held closing on the East Allen Township Municipal Authority (EATMA) water system acquisition this past Monday, which took three (3) years complete. There were two loans held by EATMA that the City would have had to assume as part of the acquisition. This would have been complicated and prolonged settlement a few more months. The Board decided the better alternative was to pay off the loans. He said the Authority withdrew \$230,481.01 from the BRIF to pay off EATMA's PNC Bank and Pennvest loans. The source of the funds included \$122,000 from the Wachovia class action settlement, a City contribution of \$50,000 and a reduction in the capital expense budget of \$60,000. This action was approved by the Board via email and needs ratification.

R. Master moved and J. Tallarico seconded to ratify the withdrawal of \$230,481.01 from the BRIF previously approved by the Board and as presented. Motion passed unanimously.

2nd Quarter 2013 Income-Expense Projection. S. Repasch reported the following:

Operating Funds

- Cash on Hand, Beginning of Period – \$153,030
- Projected Receivables – \$119,180
- Projected Expenses – \$104,855
- Total Projected Cash on Hand, End of Period – \$182,360

Capital Reserve Funds

- Cash on Hand, Beginning of Period – \$305,445
- Projected Receivables – \$10,150, which includes the \$10,000 wind developer license fee.
- Projected Expenses – \$41,500, which includes the operating authority evaluation, wind development project expenses, and property improvements.
- Total Projected Cash on Hand, End of Period – \$285,345
- TOTAL CASH ON HAND, ALL FUNDS – \$467,705

Expense Budget Comparative. S. Repasch reported the following for the four months ended April 30, 2013:

- Professional Services – 29%
- Security and Property Expenses – 11%
- Administrative Expenses – 24%
- Overall – 24%
- Capital Reserve Expenses – 26%

Arbitrage Issue. S. Repasch reported he is working with PRAG on arbitrage calculations that need to be determined this August on the 1998 CABS and the 1998 Pennvest and 1997 Emmaus loans. There is an arbitrage account with ~\$217,000 in the event there is a payment due.

Maximus Study. S. Repasch reported he was informed the Maximus Study has been completed and indicates the General Fund owes the Water Fund ~\$200,000 for 2012. D. Brong said the mechanics of the Maximus Study looks at the budgeted levels of General Fund expenses taken from Water Fund and is then reconciled with the actual expenses on a yearly basis.

CONTROLLER

J. Filipos' report for the month ended April 30, 2013 was circulated and filed. He noted the Hirko Bond interest payment of \$52,000 was made on April 1 and the City refinanced the Landfill Bonds and provided the Authority \$8,095,000 to pay off those bonds and eliminate them from the Authority's books. Also, as soon as the Maximus Study is received, he, S. Repasch and D. Brong will meet to review it.

Resolution 351 – Approval of Expenses. S. Reppert presented Resolution 351 to the Board in the total amount of \$344,862.43 for payment of the following:

- \$305,627.43 from the BRIF for payment of water capital expenses and the loan payments related to the EATMA water system acquisition.
- \$39,235 from the general and reserve checking accounts for payment of professional and administrative expenses.

M. Jobes moved and J. Tallarico seconded to approve Resolution 351 as presented. Motion passed unanimously.

S. Repasch mentioned that the BRIF is now at ~\$2.3 million and near the targeted Board minimum of \$2.2 million. The City will need to draw on its line of credit again.

Ratification of CD Investments. S. Reppert reported there were two (2) CD's that recently matured. Interest rates were solicited and she presented the following investments that were approved by the Board via email for ratification:

- \$250,000 CD with Lafayette Ambassador Bank for 12 months at .25%
- \$250,000 CD with Fulton Financial Inter-Affiliate Program for 15 months at .44%

R. Master moved and J. Tallarico seconded to ratify the CD investments previously approved by the Board and as presented. V. Gower voted aye. M. Jobes abstained. Motion passed.

SOLICITOR

None.

SPECIAL POLICE

D. Meixell's report for the month of May, 2013 was circulated and filed. The Fish Commission will be in Hell Hollow this Saturday for a rattlesnake round-up. He is still working on finding a new part-time patrol officer.

CONSULTING ENGINEER

Annual Report Review. Mr. Neal Kern spoke to the Board about the Consulting Engineer's (CE) Annual Report on the City's Operation of the Water System. Facilities inspections began in September, the insurance certification was issued in December, and the financial certification was issued in April upon receipt of the financial information from the City. The report is mostly complete, and nothing contained in it has changed based on the Board's discussions last month.

V. Gower said most of the report is related to the water system's facilities and it is apparent the City is doing a good job with both the big and small above-ground infrastructure, in part because of grants and in part because of the BRIF and line of credit. There is lack of sufficient investment in the underground infrastructure. N. Kern said the water plant had been upgraded with new filters and a new backwash system, the above ground water tanks have been repainted, and the dams are inspected annually. Those are extremely large assets and they need to be well maintained. It has been his experience that underground infrastructure is often overlooked, and eventually appurtenances, joints, fittings and valves fail. It is good to have a program to replace those things that have reached the end of their life expectancy.

D. Brong said report is accurate. The City had to focus on the water treatment plant because the inability to treat large volumes of water at certain times of the year put the customers at risk. It had to focus on the above-ground infrastructure because of

regulatory liability. It currently measures break frequency within the system and unaccounted for water and is performing within the top quartile in the industry. The age of the pipes has not impacted operations to date, in-ground water loss is not as much as it used to be and leak detection technology is better now at seeing underground problems.

M. Jobes referred to page 4 of the report which deals with the water system finances. He said the system cannot continue to operate with deficits. If the bondholders are relying on a certification, they should be aware that there are difficulties and those difficulties should be included in this report. At least the Board can feel like it is being transparent.

D. DiGiacinto commented it should be noted that the financial information in the report is unaudited, the City guarantees the debt payments, and there is non-water debt that should be footnoted, including the retirement of the landfill debt.

R. Master said under the Trust Indenture, the CE is tasked with making the judgment that the water system is being properly maintained and there are sufficient finances to satisfy the debt. It is not known if the finances are sufficient to periodically fund required capital projects. The CE should have a discussion with the Financial Advisor about the concerns and financial objectives and include that information in the report. Ultimately, we have the tools to do what is necessary to maintain the system. City Council has accomplished balancing the budget, but we're looking years in advance that the status quo will not work unless the City subsidizes the system, such as raising rates to city residents.

R. Master moved and M. Jobes seconded to accept the Consulting Engineer's Annual Report on 2012 Operations – 2013 Budget, with the condition that Section 2.4 will be expanded to include the reporting of the financial performance of the water system, to be done in conjunction with the Authority's Financial Advisor, who will forecast the sustainability of the water system in the future. Motion passed unanimously.

CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES

D. Brong reported on the following:

Water Fund. As of April 30, 2013 there was +\$6 million in invoicings and +\$1.7 million cash on hand. Since sending the May debt service payment to the Trustee, cash on hand is ~\$750,000.

EATMA. As reported earlier, the EATMA acquisition was completed. There are specific plans to investigate some well system problems (manganese) and implement aggressive maintenance procedures beginning next week. The long term plans are to ultimately connect those wells to the City's water lines. The Pennvest loan and PennWorks grant

programs can be looked into, but the State favors projects in areas where there is an economic development impact.

Award. The City is receiving a Source Water Protection Plan award tomorrow from the PA Rural Water Association.

Utility Billing. July 1, 2013 is the target date to implement the outsourcing of the City's Utility (water and sewer) billings. They are trying to shed as much non-core activity from operations as possible (printing and mailing of invoices). The company, based out of Malvern, PA, will have the ability to offer paperless billing and on-line payment to the utility's customers.

OTHER BUSINESS

None.

COURTESY OF THE FLOOR

None.

NEXT MEETING

The next meeting is scheduled for June 13, 2013.

ADJOURNMENT

M. Jobes moved and J. Tallarico seconded to adjourn the meeting at 4:40 PM. Motion passed unanimously.

Richard L. Master, Secretary